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4 UNITED STATES DISTRICT COURT
5 NORTHERN DISTRICT OF CALIFORNIA
6 SAN JOSE DIVISION

7 NOVITAZ, INC.,
8

Plaintiff,

9 v.
10

INMARKET MEDIA, LLC,
11

Defendant.

12 Case No. 16-cv-06795-EJD
13

**ORDER GRANTING IN PART AND
DENYING IN PART DEFENDANT'S
MOTION TO DISMISS WITH LEAVE
TO AMEND**

14 Re: Dkt. No. 19
15

16 Plaintiff Novitaz, Inc. ("Novitaz") brings the instant patent infringement suit against
17 Defendant inMarket Media, LLC ("inMarket"). Presently before the Court is inMarket's motion
18 to dismiss the complaint for failure to state a claim. Pursuant to Civil Local Rule 7-1(b), the Court
19 finds the instant motion suitable for decision without oral argument and hereby VACATES the
20 hearing set for August 10, 2017 at 09:00 A.M. For the reasons set forth below, the motion is
21 GRANTED IN PART and DENIED IN PART with leave to amend.

I. BACKGROUND

22 On March 7, 2016, Notivaz filed a complaint against inMarket in the District of
23 Connecticut, alleging direct, indirect, and willful infringement of U.S. Patent No. 8,229,787 (the
24 "787 patent"). Dkt. No. 1. It amended its complaint on March 14, 2016. Dkt. No. 13
25 ("Amended Complaint").

26 On June 7, 2016, inMarket responded by filing the instant motion to dismiss. Dkt. No. 19
27 ("Mot."). The next day, inMarket moved to transfer the case. Dkt. No. 21. On November 18,
28 2016, the District of Connecticut court granted inMarket's motion to transfer, and the case was

1 transferred to this district. Dkt. No. 33. The motion to dismiss is still pending.

2 **II. LEGAL STANDARD**

3 On a Rule 12(b)(6) motion to dismiss for failure to state a claim, the complaint must be
4 construed in the light most favorable to the non-moving party, and all material allegations in the
5 complaint are taken as true. *Sanders v. Kennedy*, 794 F.2d 478, 481 (9th Cir. 1986). This rule
6 does not apply to legal conclusions: “[t]hreadbare recitals of the elements of a cause of action,
7 supported by mere conclusory statements, do not suffice” to state a claim. *Ashcroft v. Iqbal*, 556
8 U.S. 662, 129 S. Ct. 1937, 1949, 173 L. Ed. 2d 868 (2009). While a complaint does not need
9 detailed factual allegations to survive a 12(b)(6) motion, the plaintiff must provide grounds
10 demonstrating its entitlement to relief. *Bell Atlantic Corp. v. Twombly*, 550 U.S. 544, 555, 127 S.
11 Ct. 1955, 167 L. Ed. 2d 929 (2007). Thus, the plaintiff must allege sufficient factual allegations
12 “to raise a right to relief above the speculative level.” *Id.* Under the Supreme Court’s decisions in
13 *Twombly* and *Iqbal*, this threshold requires that the complaint contains “sufficient factual matter . . .
14 . to ‘state a claim to relief that is plausible on its face.’” *Iqbal*, 556 U.S. at 678 (quoting *Twombly*,
15 550 U.S. at 570).

16 Until December 1, 2015, the Federal Circuit recognized that, for allegations of direct patent
17 infringement, it was sufficient to comply with the standard set by Form 18 of the Appendix of
18 Forms to the Federal Rules of Civil Procedure, rather than that articulated in *Twombly* and *Iqbal*.
19 *See In re Bill of Lading Transmission & Processing Sys. Patent Litig.*, 681 F.3d 1323, 1333–35
20 (Fed. Cir. 2012). Form 18 only required: “(1) an allegation of jurisdiction; (2) a statement that the
21 plaintiff owns the patent; (3) a statement that defendant has been infringing the patent ‘by making,
22 selling, and using [the device] embodying the patent’; (4) a statement that the plaintiff has given
23 the defendant notice of its infringement; and (5) a demand for an injunction and damages.” *Id.*
24 The Form 18 standard “d[id] not require a plaintiff to plead facts establishing that each element of
25 an asserted claim is met” nor “even identify which claims it asserts are being infringed.” *Id.*

26 However, effective December 1, 2015, the Federal Rules of Civil Procedure were amended
27 to abrogate Rule 84, which provided that “[t]he forms in the Appendix suffice under these rules
28 and illustrate the simplicity and brevity that these rules contemplate.” This abrogated the

1 Appendix of Forms, including Form 18. Since this change, the majority of district courts have
2 assessed the sufficiency of claims for direct patent infringement under the standard set forth in
3 *Twombly* and *Iqbal*. *See, e.g., e.Digital Corp. v. iBaby Labs, Inc.*, No. 15-CV-05790-JST, 2016
4 WL 4427209, at *3 (N.D. Cal. Aug. 22, 2016) (“the Court concludes that former Form 18 no
5 longer controls and that allegations of direct infringement are now subject to the pleading
6 standards established by *Twombly* and *Iqbal*”) (internal citation and quotation marks
7 omitted); *Atlas IP LLC v. Pac. Gas & Elec. Co.*, No. 15-CV-05469-EDL, 2016 WL 1719545, at
8 *2 (N.D. Cal. Mar. 9, 2016) (“Under the amended rules, allegations of direct infringement are now
9 subject to the pleading standards established by *Twombly* and *Iqbal*”); *Rembrandt Patent*
10 *Innovations LLC v. Apple Inc.*, No. 14-cv-05094-WHA, 2015 WL 8607390, at *2 (N.D. Cal. Dec.
11 13, 2015) (“Form 18, however, no longer applies.”); *Incom Corp. v. The Walt Disney Company*,
12 No. 15-cv-3011-PSG, ECF No. 39, at *3 (C.D. Cal. Feb. 4, 2016) (“Form 18 no longer provides a
13 safe harbor for pleading direct infringement.”). At least one court, however, has continued to
14 apply the Form 18 standard after the amendments took effect. *See Hologram USA, Inc. v. Pulse*
15 *Evolution Corp.*, No. 14-cv-0772-GMN-NJK, 2016 WL 199417, at *2 (D. Nev. Jan. 15, 2016).

16 **III. DISCUSSION**

17 inMarket challenges the sufficiency of Novitaz’s allegations with respect to direct
18 infringement, indirect infringement, and willful infringement. The Court addresses each in turn.

19 **A. Direct Infringement**

20 **i. Pleading Standard After the Abrogation of Form 18**

21 Before turning to the complaint at issue, the Court must address the initial question of what
22 pleading standard governs Novitaz’s allegations of direct infringement. As discussed above, the
23 December 1, 2015 amendments to the Federal Rules of Civil Procedure abrogated the Appendix of
24 Forms, including Rule 18. In light of this change, most district courts have found that Form 18 no
25 longer sets the standard for allegations of direct patent infringement, and have instead judged the
26 sufficiency of such pleadings under the standards set forth by *Twombly* and *Iqbal*. *See, e.g.,*
27 *e.Digital*, No. 15-CV-05790-JST, 2016 WL 4427209, at *3; *Atlas IP*, No. 15-CV-05469-EDL,
28 2016 WL 1719545, at *2; *Rembrandt Patent Innovations*, No. 14-cv-05094-WHA, 2015 WL

1 8607390, at *2.

2 Here, inMarket suggests that the Court follow this majority approach and assess Novitaz's
3 allegations under *Twombly* and *Iqbal*. Mot. at 7-11. Novitaz disagrees, and argues that
4 compliance with Form 18 is sufficient. Dkt. No. 27 ("Opp.") at 6. The Court agrees with
5 inMarket and the majority of district courts that, in the wake of the abrogation of Form 18, the
6 standards set forth in *Twombly* and *Iqbal* should govern the sufficiency of allegations of direct
7 infringement.¹ It will thus assess Novitaz's complaint under these standards.

8 **ii. Application of *Twombly* and *Iqbal***

9 Under *Twombly* and *Iqbal*, a complaint will survive a motion to dismiss if it contains
10 "sufficient factual matter . . . to 'state a claim to relief that is plausible on its face.'" *Iqbal*, 556
11 U.S. at 678 (quoting *Twombly*, 550 U.S. at 570). This plausibility requirement "is not akin to a
12 probability requirement." *Id.* Nevertheless, a complaint will fail to state a claim if factual
13 allegations "do not permit the court to infer more than the mere possibility of misconduct . . ."
14 *Id.* at 679.

15 How these standards apply to allegations of direct patent infringement in the absence of

16
17 ¹ In addition, the Court is not persuaded that it should follow the alternative approach, such as was
18 applied in *Hologram USA, Inc. v. Pulse Evolution Corp.*, No. 14-cv-0772-GMN-NJK, 2016 WL
19 199417, at *2 (D. Nev. Jan. 15, 2016). Judge Tigar considered the reasoning in *Hologram*, and
found it unconvincing.

20 [T]he *Hologram* court relied exclusively on the fact that "the Advisory Committee
21 note associated with [the abrogation of Rule 84 and Form 18] directly states, 'The
22 abrogation of Rule 84 does not alter existing pleading standards or otherwise
23 change the requirements of Civil Rule 8.'" *Id.* at *2 n.1. . . .

24 The Court disagrees with this reasoning for two principle reasons. First, it is just
25 as likely, if not more so, that the Advisory Committee used the phrase "existing
26 pleading standards" simply to refer to *Twombly* and its progeny, but not including
27 the exception recognized by *K-Tech*. Indeed, nothing in the Advisory Committee
note suggests that it was aware of the *K-Tech* exception to *Twombly*. Second, *K-Tech*'s holding was premised on the fact that "to the extent any conflict exists
between *Twombly* (and its progeny) and the Forms regarding pleading
requirements, the Forms control." 714 F.3d at 1283. Absent Form 18 itself, there
is simply no support in the Federal Rules of Civil Procedure for a different pleading
standard for direct patent infringement claims.

28 *e.Digital Corp.*, No. 15-CV-05790-JST, 2016 WL 4427209, at *3. The Court agrees with
Judge Tigar's assessment of *Hologram* and likewise declines to follow it.

1 Form 18 is still a developing topic. However, several district courts, in undertaking this task, have
2 determined that a complaint does not satisfy the standards of *Twombly* and *Iqbal* where it does not
3 at least contain factual allegations that the accused product practices every element of at least one
4 exemplary claim. *See, e.g., eDigital Corp.*, No. 15-CV-05790-JST, 2016 WL 4427209, at *5
5 (finding FAC failed to state a claim where plaintiff “ha[d] not attempted to map [a] limitation onto
6 any allegations in the FAC” and “based on the Court’s own independent review, it cannot discern
7 how the FAC could be said to plausibly allege this limitation”); *Atlas IP*, 2016 WL 1719545, at *2
8 (“[S]imply reciting some of the elements of a representative claim and then describing generally
9 how an accused product operates, without specifically tying the operation to any asserted claim or
10 addressing all of the claim requirements, is insufficient.”); *Atlas IP, LLC v. Exelon Corp.*, No. 15-
11 cv-10746, 2016 WL 2866134, at *5 (N.D. Ill. May 17, 2016) (“[F]actual allegations that do not
12 permit a court to infer that the accused product infringes each element of at least one claim are not
13 suggestive of infringement—they are merely compatible with infringement.”). Animating these
14 decisions is the principle that “the failure to meet a single limitation is sufficient to negate
15 infringement of [a] claim.” *Lairam Corp. v. Rexnord, Inc.*, 939 F.2d 1533, 1535 (Fed. Cir. 1991).

16 The Court finds this reasoning persuasive, since, if a complaint does not contain factual
17 allegations that would permit a court to infer that a required element of the patent claim was
18 satisfied, it is hard to see how infringement would be “probable.” *Compare, e.g., Telesaurus VPC,*
19 *LLC v. Power*, 623 F.3d 998, 1005 (9th Cir. 2010) (affirming dismissal where complaint “d[id] not
20 adequately allege” required elements). Nevertheless, the Court is also not convinced that a formal
21 charting of patent claim elements against each accused product is always necessary. After all,
22 “[d]etermining whether a complaint states a plausible claim for relief [is] a context-specific task
23 that requires the reviewing court to draw on its judicial experience and common sense.” *Iqbal*,
24 556 U.S. at 679. Thus, there may be instances where more generalized factual allegations may
25 still be enough for the Court to infer that it is “plausible” that every element of a patent claim is
26 satisfied by an accused product. Accordingly, the Court will focus on the patent claim elements
27 themselves, and assess whether Novitaz has “state[d] a claim to relief [for patent infringement]
28 that is plausible on its face.” *Twombly*, 550 U.S. at 570.

1 Here, inMarket argues that Novitaz has failed to state a claim for relief because it has not
2 identified what claims of the patent are at issue or made plausible allegations about how the
3 accused products practice the elements of any claim of the patent. Mot. at 10-11. In particular,
4 inMarket identifies that Novitaz's complaint is devoid of any allegations at least pertaining to the
5 "detecting an interaction of [a] customer with a website . . .," "marketing message," and
6 "detect[ing] a customer interaction with at least one product" elements from the independent
7 claims. *Id.* at 11-14.

8 Novitaz disagrees, arguing that the factual allegations that it makes about how the accused
9 products work are sufficient to plausibly allege that they directly infringe the claims of the '787
10 patent. Opp. at 6-8. For example, Novitaz claims that it sufficiently alleged that the products
11 practice the "detecting an interaction of [a] customer with a website . . ." limitation because it
12 alleged that its product is a mobile application, and that users register. *Id.* at 7. Novitaz also
13 argues that it adequately alleged the "marketing message" and "detecting a customer interaction . . ."
14 limitations, citing paragraphs 16, 18-19 and paragraphs 13, 14, 17 of its Amended Complaint,
15 respectively. *Id.* at 7-9.

16 The Court agrees with inMarket that Novitaz has failed to adequately allege direct
17 infringement. Novitaz's Amended Complaint identifies two products, the "Epicurious
18 application" and "CheckPoints application," as well as the general class of "other applications
19 using inMarket's Software Development Kit ('SDK')," as accused. Dkt. No. 13 ¶ 3. Novitaz's
20 Amended Complaint makes no factual allegations about how the "Epicurious application" or
21 "other applications using inMarket's [SDK]" operate, let alone map this information onto any
22 elements of any of the claims of the '787 patent. Novitaz also does not allege that these products
23 are similar to the "CheckPoints application" or otherwise indicate that its factual allegations with
24 respect to the "CheckPoints application" also apply to these other products. As such, Novitaz fails
25 to state a claim for direct patent infringement with respect to the "Epicurious application" or
26 "other applications using inMarket's [SDK]."

27 With respect to the "CheckPoints application," Novitaz makes some factual allegations
28 about this product that appear to relate to at least some elements of the claims of the '787 patent.

1 For example, Novitaz alleges that “CheckPoints users register . . . includ[ing] [by] providing an
2 email address” and that “inMarket provides beacons . . . to detect a user’s physical location.” *See*
3 Dkt. No. 13 ¶¶ 12, 15. Novitaz also alleges that inMarket sells a “mobile platform” that “enables
4 [its] customers to provide improved in-store marketing and customer engagement” and inMarket
5 markets this platform to its customers. *See id.* ¶¶ 7, 9. However, a number of critical claim
6 elements are not addressed by Novitaz’s factual allegations. For example, as inMarket correctly
7 points out, each of the independent claims requires either “detecting an interaction of the customer
8 with a website” or “detecting a transaction of a customer with a website.” *See* ’787 patent, col. 23
9 ll. 22-23, col. 26 ll. 15-16, 43-44, col. 27 ll. 42-43, col. 28 ll. 22-23. However, Novitaz makes no
10 factual allegations about any *websites* that CheckPoints *detects* interaction with. Alleging that
11 CheckPoints is a mobile application and users register (as Novitaz argues, Opp. at 7-8) does not
12 address these aspects. Similarly, as further examples, Novitaz does not make allegations about “a
13 wireless device carried by a customer,” “a detected customer interaction with at least one
14 product,” or whether any events happen “before a purchase transaction.” Further, many of
15 Novitaz’s allegations merely parrot claim language, including that “CheckPoints detects the user’s
16 physical presence in a physical establishment,” “CheckPoints provides marketing messages to its
17 users,” and “inMarket stores a plurality of tracked customer events within the physical
18 establishment.” *See id.* ¶¶ 14, 16, 17. These are not factual allegations, as the claim language is
19 what Novitaz must show in order to prove infringement. Instead, they are “[t]hreadbare recitals of
20 the elements of a cause of action, supported by mere conclusory statements,” which “do not
21 suffice.” *Iqbal*, 556 U.S. at 678. Given these collective deficiencies, Novitaz has not provided
22 sufficient factual allegations to permit the Court to conclude that it is plausible that the
23 “CheckPoints application” directly infringes any claim of the ’787 patent.

24 For these reasons, the Court finds that Novitaz has failed to state a claim for direct patent
25 infringement. inMarket’s motion to dismiss Novitaz’s direct infringement claims is GRANTED
26 with leave to amend.

27 **B. Indirect Infringement**

28 Novitaz has now withdrawn its indirect infringement claims. Opp. at 1 n.2. inMarket’s

1 motion to dismiss Novitaz’s indirect infringement claims is accordingly DENIED AS MOOT.

2 **C. Willful Infringement**

3 inMarket also challenges Novitaz’s allegations of willful infringement. Mot. at 18-20.
4 Novitaz does not respond to these challenges in substance, but appears to argue that it is not
5 required to plead willfulness because “willful infringement . . . is not a separate claim, but rather a
6 factor that the Court may consider in determining whether or not to enhance damages” Opp.
7 at 1 n.2.

8 Novitaz is correct that willfulness can be a “factor” of sorts in the Court’s determination of
9 whether it should award enhanced damages under 35 U.S.C. § 284. In *Halo Elecs., Inc. v. Pulse*
10 *Elecs., Inc.*, the Supreme Court clarified that “[s]ection 284 allows district courts to punish the full
11 range of culpable behavior,” but noted that “such punishment should generally be reserved for
12 egregious cases typified by willful misconduct.” 136 S. Ct. 1923, 1933-34, 195 L. Ed. 2d 278
13 (2016). Nevertheless, willfulness (should a plaintiff seek to use it as a basis for seeking enhanced
14 damages) is still a factual determination that a court must make, and district courts have continued,
15 post-*Halo*, to treat it as a separate claim that can be subject to a motion to dismiss. *See, e.g.*,
16 *Cont'l Circuits LLC v. Intel Corp.*, No. CV16-2026 PHX DGC, 2017 WL 679116, at *11 (D. Ariz.
17 Feb. 21, 2017) (granting motion to dismiss claim for willful infringement); *Bio-Rad Labs. Inc. v.*
18 *Thermo Fisher Sci. Inc.*, No. CV 16-358-RGA, 2017 WL 438733, at *2 (D. Del. Feb. 1, 2017)
19 (denying motion to dismiss claim for willful infringement); *Nanosys, Inc., et al. v. QD Vision,*
20 *Inc.*, No. 16-CV-01957-YGR, 2017 WL 35511, at *1 (N.D. Cal. Jan. 4, 2017) (denying motion to
21 dismiss claim for willful infringement). Thus, the Court disagrees with Novitaz that its willfulness
22 claims cannot be the proper subject of a motion to dismiss.

23 Turning to the sufficiency of Novitaz’s willfulness claims, the Court agrees with inMarket
24 that they are deficient. Willfulness turns on the subjective intent of the alleged infringer. *Halo*
25 *Elecs.*, 136 S. Ct. at 1926 (“A patent infringer’s subjective willfulness, whether intentional or
26 knowing, may warrant enhanced damages, without regard to whether his infringement was
27 objectively reckless.”). Knowledge remains a key factor in this determination. *See id.* at 1933
28 (“[C]ulpability is generally measured against the knowledge of the actor at the time of the

1 challenged conduct.”); *see also WBIP, LLC v. Kohler Co.*, 829 F.3d 1317, 1341 (Fed. Cir. 2016)
2 (“Knowledge of the patent alleged to be willfully infringed continues to be a prerequisite to
3 enhanced damages.”). Here, Novitaz makes no factual allegations regarding inMarket’s
4 knowledge or intent to infringe. Accordingly, for at least these reasons, it has not sufficiently
5 alleged willful infringement.

6 inMarket’s motion to dismiss Novitaz’s claims of willful infringement is GRANTED with
7 leave to amend.

8 **IV. CONCLUSION**

9 For the foregoing reasons, inMarket’s motion to dismiss with respect to Novitaz’s claims
10 of direct infringement and willful infringement is GRANTED with leave to amend. inMarket’s
11 motion to dismiss with respect to Novitaz’s claims of indirect infringement is DENIED AS
12 MOOT.

13 **IT IS SO ORDERED.**

14 Dated: May 26, 2017



EDWARD J. DAVILA
United States District Judge